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Order 2003-12-9  
Served: December 8, 2003

UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.



Issued by the Department of Transportation  
on the 8<sup>th</sup> of December, 2003

Essential air service at

**CEDAR CITY, UTAH**

under 49 U.S.C. 41731 *et seq.*

Docket OST-2003-16395-9

**ORDER RESELECTING CARRIER**

**Summary**

By this order, the Department is reselecting SkyWest Airlines, Inc., d/b/a Delta Connection, (SkyWest) to provide essential air service at Cedar City, Utah, at an annual subsidy rate of \$770,285, for two years beginning January 1, 2004, through December 31, 2005.

**Background**

Order 2002-5-6, May 13, 2002, tentatively reselected SkyWest to provide essential air service (EAS) at Cedar City, Utah. SkyWest had proposed two levels of service, one of three round trips a day for \$1,056,415 reflecting the level of service then in place, and \$836,102 annually for two round trips a day. That order tentatively selected SkyWest's two-round-trip proposal and requested competing proposals.

In response to that order, we received a timely-filed competing proposal from Mesa Air Group, Inc., on behalf of its subsidiary Air Midwest (Mesa), and, as is our usual practice, we afforded SkyWest the opportunity to modify the proposal we had tentatively selected.

**Carrier Proposals**

Each carrier's contract would extend for a two-year period, and is summarized below.

**Mesa, d/b/a America West Express**

Mesa submitted four options for the community's consideration. All of Mesa's options would be operated with 19-seat Beech 1900D aircraft on a nonstop basis. Under Option 1, Mesa would operate 12 round trips per week to Las Vegas. Mesa would require \$755,967 annual subsidy for this

service. Under Option 2, Mesa would operate 18 round trips per week to Las Vegas for \$1,053,297 in annual subsidy. Under Option 3, Mesa would operate 12 round trips per week to Phoenix and require \$814,605 in annual subsidy. Under Option 4, Mesa would operate 12 round trips per week to Phoenix and 6 round trips per week to Las Vegas and require \$1,037,795 in annual subsidy.

#### **SkyWest Air, d/b/a Delta Connection**

SkyWest submitted two options for the community's consideration. Both of SkyWest's options would serve Salt Lake City nonstop and be operated with 30-seat Brasilia aircraft. Under Option 1, SkyWest would operate 18 round trips per week and require \$1,379,073 annual subsidy. Under Option 2, SkyWest would operate 12 round trips per week for an annual subsidy of \$770,285.

#### **Community Comments**

We received comments from the Mayor of Cedar City and the Salt Lake City Department of Airports. Both indicate their desire that we reselect SkyWest Airlines, and ranked SkyWest's three-round-trip-a-day option as the first choice and SkyWest's two-round-trip proposal as the second choice. The community indicates that SkyWest committed to provide early morning flights, specifically, a 6:30 a.m. departure from Cedar City in the summer, and a 7:45 a.m. departure for the rest of the year. The community indicates that many potential Cedar City originating passengers choose to fly out of St. George or Las Vegas because of lower fares or better schedules at those markets. If those passengers could be persuaded to use the subsidized service, then federal expenditures would be significantly less.

#### **Decision**

After careful consideration of the carriers' proposals and the community's views, we have decided to select SkyWest's option of two round trips per day for \$770,285.

We are required by statute to give great weight to community preferences. Cedar City preferred both of SkyWest's options over any of Mesa's four. SkyWest's two-round-trip option is only slightly more expensive than Mesa's lowest cost option--\$770,285 for SkyWest compared to \$755,967 for Mesa's. We find that the strong community support for SkyWest outweighs the relatively small savings (less than \$15,000) that would be realized by selecting Mesa. The difference in subsidy between SkyWest's two options is \$608,788, i.e. SkyWest's three-round-trip option requires almost twice as much subsidy as the two-round trip option, and is too expensive for us to select. The two-round-trip option easily provides enough capacity to accommodate Cedar City's historical traffic. In addition, SkyWest, operating as Delta Connection, is able to offer Cedar City passengers on-line connecting service throughout Delta's extensive network at Salt Lake City.

#### **Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found SkyWest fit by Order 2003-6-34, June 26, 2003, where we tentatively selected it to provide subsidized essential air service at Victoria, Texas. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that

would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that SkyWest continues to have available adequate financial and managerial resources to provide quality service at the community at issue here, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that SkyWest remains fit.

This order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY,**

1. We select SkyWest Airlines, Inc., d/b/a Delta Connection, to provide essential air service at Cedar City, Utah, as described in Appendix C;
2. We set the final rate of compensation for SkyWest Airlines, Inc., for the provision of essential air service at Cedar City, Utah, as described in Appendix C, to be payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$629.83;<sup>1</sup>
3. We direct SkyWest Airlines, Inc., to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
4. We find that SkyWest Airlines, Inc., continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Cedar City, Utah, and;
5. We terminate the rate set for SkyWest by Order 2003-5-6 effective January 1, 2004;
6. These dockets will remain open until further order of the Department; and

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<sup>1</sup> See Appendix C for calculations

7. We will serve copies of this order on the mayor and airport manager of Cedar City, Utah, and Mesa Air Group and SkyWest Airlines, Inc.

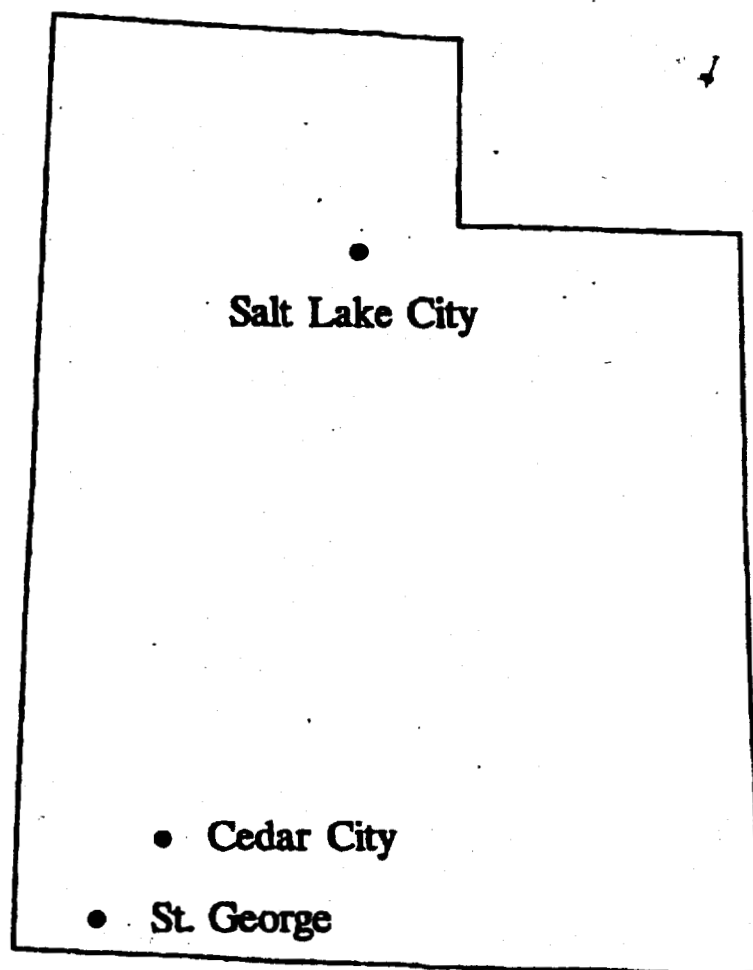
By:

**MICHAEL W. REYNOLDS**  
Acting Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available  
on the World Wide Web at <http://dms.dot.gov>*

## Appendix A



Las Vegas

	Great Circle Miles
CDC-SLC -	221
CDC-SGU -	50
CDC-LAS -	160

## Appendix B

### SkyWest, Essential Air Service to be Provided at Cedar City, Utah, Docket 2706

	<u>18 r.t./week</u>	<u>12 r.t./week</u>
Departures	1,835 1/	1,223 2/
Block Hours	1,927 1/	1,284 2/
ASMs	12,166,050 1/	8,108,490 2/
Passengers	16,832 3/	13,466 3/
RPMs @ 221 miles	3,719,872	2,975,986
 Pax. Rev. @ \$66.74	 \$1,123,368	 \$898,721
Other Rev. @ 1%	<u>\$11,234</u>	<u>\$8,987</u>
Total Revenue	\$1,134,602	\$907,708
 Pilot @ \$186.52/hr.	 \$359,424	 \$239,492
Fuel & Oil @ \$146.10/hr.	\$281,535	\$187,592
Other @ \$51.53/hr.	\$99,298	\$66,165
Maintenance @ \$201.63/hr.	\$388,541	\$258,893
<u>Aircraft @ \$208.47/hr.</u>	<u>\$401,722</u>	<u>\$267,675</u>
Total Directs	\$1,530,520	\$1,019,817
 Flt. Attendant @ \$32.93/hr.	 \$63,456	 \$42,282
Tff. Related @ \$.00564/RPM	\$20,980	\$16,785
Wtd. Dep. @ \$287.16/wtd. dep. 4/	\$526,939	\$351,197
<u>Capacity @ \$.02072/ASM</u>	<u>\$252,081</u>	<u>\$168,008</u>
Total Indirects	\$863,456	\$578,272
 Operating Expense	 \$2,393,976	 \$1,598,089
<u>Profit @ 5%</u>	<u>\$119,699</u>	<u>\$79,904</u>
Economic Cost	\$2,513,675	\$1,677,993
 Subsidy @ 98% Completion	 \$1,379,073	 \$770,285

1/ 36 flights/week\*52weeks\*.98 completion = 1,835 deps.; 1,835\*63 minutes = 1,927 hours;

1,835 deps.\*221 miles\*30 seats = 12,166,050 ASMs

2/ 24 flights/week\*52weeks\*.98 completion = 1,223 deps.; 1,223\*63 minutes = 1,284 hours;

1,223 deps.\*221 miles\*30 seats = 8,108,490 ASMs.

3/ 80% applied to the most recent historical number of passengers, 16,832, to reflect tendency for local passengers to continue to fly notwithstanding reduced service.

4/ Assigns a weight of 1.666 to each CRJ departure to reflect increased cost of handling larger aircraft.

## Appendix C

### **SkyWest Airlines, Inc., Essential Air Service to be Provided to Cedar City, Utah, Dockets OST-2003-16395**

Effective Period: January 1, 2004, through December 31, 2005.

Scheduled Service:

12 nonstop round trips per week to Salt Lake City.

Aircraft: Brasilia, 30-seats

Rate per Salt Lake City Flight: \$629.83 <sup>1</sup>

Weekly Ceiling at each Community: \$15,115.92 <sup>2</sup>

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

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<sup>1</sup> Annual compensation of \$770,285 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 24 departures/arrivals x 52 weeks x .98 = 1,223 total.

<sup>2</sup> 24 flights/week x \$629.83.